

CITY OF OAKLAND
INDEPENDENT AUDITOR'S REPORTS
BASIC FINANCIAL STATEMENTS
SUPPLEMENTARY AND OTHER INFORMATION
SCHEDULE OF FINDINGS
JUNE 30, 2016

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CITY OF OAKLAND

OFFICIALS

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
(Before January 2016)		
Michael O'Brien	Mayor	January 2018
Pat Newberg	Mayor Pro-Tem	January 2018
Brant Miller	Council Member	January 2018
Betsy Moniz	Council Member	January 2016
Jeremy Perkins	Council Member	January 2016
Jason Smith	Council Member	Resigned December 2015
Marissa Lockwood	City Clerk	Indefinite
Cindy Constable	City Treasurer	Indefinite
Matthew Woods	City Attorney	Indefinite
(After January 2016)		
Michael O'Brien	Mayor	January 2018
Pat Newberg	Mayor Pro-Tem	January 2018
Brant Miller	Council Member	January 2018
Betsy Moniz	Council Member	January 2020
Jeremy Perkins	Council Member	January 2020
Gayle Strickland	Council Member	January 2018
Marissa Lockwood	City Clerk	Indefinite
Cindy Constable	City Treasurer	Indefinite
Matthew Woods	City Attorney	Indefinite

MUXFELDT

ASSOCIATES, CPA, P.C.

Certified Public Accountant

September 27, 2016

Independent Auditor's Report

Lonnie G. Muxfeldt
Certified Public
Accountant

Harlan Office:

2309 B Chatburn Ave.
P.O. Box 551
Harlan, IA 51537-0551

Ph. (712) 755-3366
Fax (712) 755-3343

Avoca Office:

305 W. High Street
P.O. Box 609
Avoca, IA 51521-0609

Ph. (712) 343-2379
Fax (712) 343-5012

www.muxfeldt-cpa.com

firm@muxfeldt-cpa.com

Licensed In:

Iowa
Missouri

To the Honorable Mayor and
Members of the City Council:

Report on the Financial Statements

I have audited the accompanying financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of the City of Oakland, Iowa, as of and for the year ended June 30, 2016, and the related Notes to Financial Statements, which collectively comprise the City's basic financial statements listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with the cash basis of accounting described in Note 1. This includes determining the cash basis of accounting is an acceptable basis for the preparation of the financial statements in the circumstances. This includes the design, implementation and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

My responsibility is to express opinions on these financial statements based on my audit. I conducted my audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that I plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

Continued . . .

September 27, 2016

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To the Honorable Mayor and
Members of the City Council:

Auditor's Responsibility (Continued)

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the City's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control. Accordingly, I express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

I believe the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinions.

Opinions

In my opinion, the financial statements referred to above present fairly, in all material respects, the respective cash basis financial position of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of the City of Oakland as of June 30, 2016, and the respective changes in cash basis financial position for the year then ended in accordance with the basis of accounting described in Note 1.

Basis of Accounting

As described in Note 1, these financial statements were prepared on the basis of cash receipts and disbursements, which is a basis of accounting other than U.S. generally accepted accounting principles. My opinion is not modified with respect to this matter.

Continued . . .

September 27, 2016
Page Three

To the Honorable Mayor and
Members of the City Council:

Other Matters

Supplementary and Other Information


My audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Oakland's basic financial statements. I previously audited, in accordance with the standards referred to in the third paragraph of this report, the financial statements for the ten years ended June 30, 2015 (which are not presented herein) and expressed unmodified opinions on those financial statements which were prepared on the basis of cash receipts and disbursements. The supplementary information included in Schedules 1 through 4 is presented for purposes of additional analysis and is not a required part of the basic financial statements.

The supplementary information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with U.S. generally accepted auditing standards. In my opinion, the supplementary information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

The other information, Management's Discussion and Analysis, the budgetary comparison information, the Schedule of the City's Proportionate Share of the net Pension Liability and the Schedule of City Contributions on pages 7 through 12 and 39 through 43 has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, I do not express an opinion or provide any assurance on it.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, I have also issued my report dated August 24, 2016 on my consideration of the City of Oakland's internal control over financial reporting and my tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of my testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on internal control over financial reporting or compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City of Oakland's internal control over financial reporting and compliance.


Murphy & Associates, CPA, P.C.

**CITY OF OAKLAND
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2016**

The City of Oakland provides this Management's Discussion and Analysis of its financial statements. This narrative overview and analysis of the financial activities is for the fiscal year ended June 30, 2016. We encourage readers to consider this information in conjunction with the City's financial statements, which follow.

2016 FINANCIAL HIGHLIGHTS

Receipts of the City's governmental activities decreased 1.45%, or approximately \$18,500, from fiscal year 2015 to fiscal year 2016. The decrease is primarily due to significantly less tax increment financing receipts in fiscal year 2017.

Disbursements of the City's governmental activities increased 33.8% or approximately \$369,000 in fiscal year 2016 from fiscal year 2015. Culture and recreation, public safety and capital projects disbursements increased approximately \$53,000, \$110,000 and \$119,000, respectively.

The City's total cash basis net position decreased 13.76%, or approximately \$152,000, from June 30, 2015 to June 30, 2016. Of this amount, the cash basis net position of the governmental activities decreased approximately \$78,000 and the cash basis net position of the business type activities decreased approximately \$74,000.

USING THIS ANNUAL REPORT

This annual report consists of a series of financial statements and other information, as follows:

Management's Discussion and Analysis introduces the basic financial statements and provides an analytical overview of the City's financial activities.

The Government-wide Financial Statement consists of a Statement of Activities and Net Position. This statement provides information about the activities of the City as a whole and presents an overall view of the City's finances.

The Fund Financial Statements tell how governmental services were financed in the short term as well as what remains for future spending. Fund financial statements report the City's operations in more detail than the government-wide statement by providing information about the most significant funds.

Notes to Financial Statements provide additional information essential to a full understanding of the data provided in the basic financial statements.

Other Information further explains and supports the financial statements with a comparison of the City's budget for the year and the City's proportionate share of the net pension liability and related contributions.

Supplementary Information provides detailed information about the nonmajor governmental funds and the City's indebtedness.

BASIS OF ACCOUNTING

The City maintains its financial records on the basis of cash receipts and disbursements and the financial statements of the City are prepared on that basis. The cash basis of accounting does not give effect to accounts receivable, accounts payable and accrued items. Accordingly, the financial statements do not present financial position and results of operations of the funds in accordance with generally accepted accounting principles. Therefore, when reviewing the financial information and discussion within this annual report, readers should keep in mind the limitations resulting from the use of the cash basis of accounting.

REPORTING THE CITY'S FINANCIAL ACTIVITIES

Government-wide Financial Statement

One of the most important questions asked about the City's finances is, "Is the City as a whole better off or worse off as a result of the year's activities?" The Statement of Activities and Net Position reports information which helps answer this question.

The Statement of Activities and Net Position presents the City's net position. Over time, increases or decreases in the City's net position may serve as a useful indicator of whether the financial position of the City is improving or deteriorating.

The Statement of Activities and Net Position is divided into two kinds of activities:

Governmental Activities include public safety, public works, culture and recreation, community and economic development, general government, debt service and capital projects. Property tax and state and federal grants finance most of these activities.

Business Type Activities include the waterworks, sanitary sewer system and sanitation. These activities are financed primarily by user charges.

Fund Financial Statements

The City has two kinds of funds:

- 1) Governmental funds account for most of the City's basic services. These focus on how money flows into and out of those funds and the balances at year-end that are available for spending. The governmental funds include: 1) the General Fund, 2) the Special Revenue Funds, such as Road Use Tax and Urban Renewal Tax Increment, 3) the Debt Service Fund, and 4) the Capital Projects Fund. The governmental fund financial statements provide a detailed, short-term view of the City's general government operations and the basic services it provides. Governmental fund information helps determine whether there are more or fewer financial resources that can be spent in the near future to finance the City's programs.

The required financial statement for the governmental funds is a Statement of Cash Receipts, Disbursements and Changes in Cash Balances.

- 2) Proprietary funds account for the City's Enterprise Funds. Enterprise Funds are used to report business type activities. The City maintains three Enterprise Funds to provide separate information for the Water, Sewer and Sanitation Funds, considered to be major funds of the City.

The required financial statement for proprietary funds is a Statement of Cash Receipts, Disbursements and Changes in Cash Balances.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Net position may serve over time as a useful indicator of financial position. The City's cash balance for governmental activities decreased from a year ago, decreasing from approximately \$230,000 to approximately \$152,000. The analysis that follows focuses on the changes in cash basis net position of governmental activities.

Changes in Cash Basis Net Position of Governmental Activities			
	Year Ended June 30, 2016	Year Ended June 30, 2015	
Receipts:			
Program receipts:			
Charges for services	\$ 160,897	\$ 149,780	
Operating grants, contributions and restricted interest	293,053	325,496	
Capital grants, contributions and restricted interest	84,924	89,024	
General receipts:			
Property tax	441,321	414,330	
Tax increment financing	348	45,673	
Local option sales tax	224,146	234,155	
Unrestricted investment earnings	1,785	2,891	
Miscellaneous	60,052	24,747	
Note proceeds	-0-	-0-	
Sale of property	917	-0-	
Total receipts	1,267,443	1,286,096	
Disbursements:			
Public safety	273,532	163,368	
Public works	314,984	277,197	
Culture and recreation	280,454	227,566	
General government	167,976	121,916	
Debt service	268,535	265,577	
Capital projects	153,807	34,640	
Total disbursements	1,459,288	1,090,264	
Change in cash basis net position before transfers	(191,845)	195,832	
Transfers, net	113,387	10,145	
Change in cash basis net position	(78,458)	205,977	
Cash basis net position, beginning of year	230,086	24,109	
Cash basis net position, end of year	\$ 151,628	\$ 230,086	

The City's total receipts for governmental activities decreased 1.45% or approximately \$18,500. The total cost of all programs and services increased approximately \$369,000, or 33.8%, with no new programs added this year. The significant increase in disbursements is primarily due to starting new capital projects such as the housing, park and signage projects, reconstructing Brown Street and updating firefighter safety equipment.

The cost of all governmental activities this year was approximately \$1.5 million compared to approximately \$1 million last year. However, as shown in the Statement of Activities and Net Position on pages 14 - 15, the amount taxpayers ultimately financed for these activities was approximately \$920,000 because some of the cost was paid by those who directly benefited from the programs (\$160,897) or by other governments and organizations which subsidized certain programs with grants, contributions and restricted interest (\$377,977). Overall, the City's governmental activities program receipts, including intergovernmental aid and fees for service, decreased in fiscal year 2016 from approximately \$564,000 to approximately \$539,000, principally due to insurance proceeds in the prior year.

Changes in Cash Basis Net Position of Business Type Activities			
	Year Ended June 30, 2016	Year Ended June 30, 2015	
Receipts:			
Program receipts:			
Charges for services and sales:			
Water	\$ 915,251	\$ 790,438	
Sewer	71,654	71,097	
Sanitation	159,800	158,681	
Operating grants, contributions and restricted interest	-0-	-0-	
Capital grants, contributions And restricted interest	-0-	875,519	
General receipts:			
Note proceeds	5,000	1,181,360	
Miscellaneous	-0-	50,291	
Total receipts	<u>1,151,705</u>	<u>3,127,386</u>	
Disbursements:			
Water	899,925	2,768,671	
Sewer	52,411	35,236	
Sanitation	159,730	152,902	
Total disbursements	<u>1,112,066</u>	<u>2,956,809</u>	
Change in cash basis net position before transfers	39,639	170,577	
Transfers, net	<u>(113,387)</u>	<u>(10,145)</u>	
Change in cash basis net position	(73,748)	160,432	
Cash basis net position, beginning of year	<u>875,355</u>	<u>714,923</u>	
Cash basis net position, end of year	\$ <u>801,607</u>	\$ <u>875,355</u>	

Total business type activities receipts for the fiscal year were approximately \$1.1 million compared to approximately \$3.1 million last year, a sixty-three percent decrease. This \$2 million decrease is due primarily to note proceeds and grants received in the prior year. Cash balances decreased approximately \$73,700 from the prior year. Total disbursements for the fiscal year decreased 62% to approximately \$1.1 million primarily due to the water treatment improvement project in the prior year.

INDIVIDUAL MAJOR GOVERNMENTAL FUND ANALYSIS

As the City of Oakland completed the year, its governmental funds reported a combined fund balance of \$151,628, a decrease of \$78,458 from last year's total of \$230,086. The following are the major reasons for the changes in fund balances of the major funds from the prior year.

The General Fund cash balance decreased \$197,099 from the prior year to \$466,047. This decrease is primarily due to capital outlay such as firefighter safety equipment, park improvements and a mosquito fogger in public safety, culture and recreation and general government functions, respectively.

The Special Revenue, Road Use Tax Fund cash balance decreased \$111,125 from \$233,222 to \$122,097, primarily due to a transfer to the Capital Projects City Service Building Fund.

The Capital Projects, City Service Building Fund cash deficit balance decreased by \$300,000 for 2016. This decrease is due to transfers from the Enterprise Water Fund, the Special Revenue Road Use Tax Fund, and the General Fund.

The Capital Projects, Housing Project Fund was established in fiscal year 2016 when the City partnered with the Oakland Industrial Foundation for the construction of two single family dwellings and the demolition of old structures. The Fund had a deficit cash balance of \$62,099 at year-end.

INDIVIDUAL MAJOR BUSINESS TYPE FUND ANALYSIS

The Enterprise, Water Fund cash balance decreased \$93,061 from \$754,525 to \$661,464 due primarily to a transfer to the Capital Projects, City Service Building Fund.

BUDGETARY HIGHLIGHTS

City Council approved a budget amendment on May 9, 2016, increasing receipts by approximately \$282,000 and increasing disbursements by approximately \$572,000.

The City's receipts were approximately \$14,000 less than budgeted.

The public safety, public works, general government and capital projects functions were exceeded before the budget was amended. At June 30, 2016, disbursements exceeded budgeted amounts in the public works and capital projects functions.

DEBT ADMINISTRATION

At June 30, 2016, the City had \$4,677,600 in long-term debt outstanding, compared to \$4,441,000, last year, as shown below:

	Outstanding Debt	
	Year Ended June 30, 2016	Year Ended June 30, 2015
General obligation notes	\$ 2,966,000	\$ 3,140,000
Water revenue notes	1,475,000	1,537,000
Total	\$ 4,441,000	\$ 4,677,000

During the year ended June 30, 2016, principal of \$241,000 and interest of \$123,338 was paid on outstanding debt, water revenue note proceeds of \$5,000 were received, and no new debt was issued.

The Constitution of the State of Iowa limits the amount of general obligation debt cities can issue to 5% of the assessed value of all taxable property within the City's corporate limits. The City's outstanding general obligation debt of \$3,140,000 is below its constitutional debt limit of approximately \$3.9 million.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET AND RATES

The City of Oakland's elected and appointed officials and citizens considered many factors when setting the fiscal year 2016 budget, tax rates and fees, charges for various City activities. One of those factors is the economy.

Amounts available for appropriation in the operating budget are approximately \$2.59 million, a 4.8% increase from the amended fiscal year 2016 budget. Projects in the planning phase include the infill housing program, Brown Street storm sewer and sidewalks reconstruction, the drilling of a new horizontal well, an amphitheater in Chautauqua Park, an access road for a new Industrial Park area on the north edge of Oakland, and the development of empty commercial lots on Main Street and Oakland Avenue.

If the budget is realized, the City's budgeted cash balance is expected to increase approximately \$124,000 by the close of fiscal year 2017.

CONTACTING THE CITY'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers and creditors with a general overview of the City's finances and to show the City's accountability for the money it received. If you have questions about this report or need additional financial information, contact Marissa Lockwood, City Clerk, at 614 Dr. Van Zee Rd., PO Box 396, Oakland, Iowa 51560.

BASIC FINANCIAL STATEMENTS

CITY OF OAKLAND

CASH BASIS STATEMENT OF ACTIVITIES AND NET POSITION

AS OF AND FOR THE YEAR ENDED JUNE 30, 2016

	Disbursements	Charges for Services	Program Receipts	
			Operating Grants, Contributions and Restricted Interest	Capital Grants, Contributions and Restricted Interest
Functions / Programs:				
Governmental activities:				
Public safety	\$ 273,532	\$ 103,353	\$ 56,570	\$ 20,000
Public works	314,984	2,780	188,706	-0-
Cultures and recreation	280,454	48,583	46,948	10,000
General government	167,976	6,181	829	11,554
Debt service	268,535	-0-	-0-	-0-
Capital projects	153,807	-0-	-0-	43,370
Total governmental activities	1,459,288	160,897	293,053	84,924
Business type activities:				
Water	899,925	915,251	-0-	-0-
Sewer	52,411	71,654	-0-	-0-
Sanitation	159,730	159,800	-0-	-0-
Total business type activities	1,112,066	1,146,705	-0-	-0-
Total	\$ 2,571,354	\$ 1,307,602	\$ 293,053	\$ 84,924

Property taxes levied for:
 General purposes
 Tax increment financing
 Local option sales tax
 Unrestricted investment earnings
 Miscellaneous
 Note proceeds
 Sale of assets
 Transfers
 Total general receipts

Change in cash basis net position

Cash basis net position beginning of year

Cash basis net position end of year

Cash Basis Net Position

Restricted:

Expendable:

Streets

Library

Other purposes

Water reserves

Unrestricted

Total cash basis net position

EXHIBIT A

<u>Net (Disbursements), Receipts and Changes in Net Position</u>		
<u>Governmental Activities</u>	<u>Business Type Activities</u>	<u>Total</u>
\$ (93,609)	\$ -0-	\$ (93,609)
(123,498)	-0-	(123,498)
(174,923)	-0-	(174,923)
(149,412)	-0-	(149,412)
(268,535)	-0-	(268,535)
(110,437)	-0-	(110,437)
<u>(920,414)</u>	<u>-0-</u>	<u>(920,414)</u>
-0-	15,326	15,326
-0-	19,243	19,243
-0-	70	70
<u>-0-</u>	<u>34,639</u>	<u>34,639</u>
(920,414)	34,639	(885,775)
441,321	-0-	441,321
348	-0-	348
224,146	-0-	224,146
1,785	-0-	1,785
60,052	-0-	60,052
-0-	5,000	5,000
917	-0-	917
113,387	(113,387)	-0-
<u>841,956</u>	<u>(108,387)</u>	<u>733,569</u>
(78,458)	(73,748)	(152,206)
230,086	875,355	1,105,441
<u>\$ 151,628</u>	<u>\$ 801,607</u>	<u>\$ 953,235</u>
\$ 122,097	\$ -0-	\$ 122,097
272,964	-0-	272,964
14,042	-0-	14,042
-0-	49,474	49,474
(257,475)	752,133	494,658
<u>\$ 151,628</u>	<u>\$ 801,607</u>	<u>\$ 953,235</u>

See notes to financial statements.

CITY OF OAKLAND

**STATEMENT OF CASH RECEIPTS, DISBURSEMENTS AND
CHANGES IN CASH BALANCES - GOVERNMENTAL FUNDS**

AS OF AND FOR THE YEAR ENDED JUNE 30, 2016

	Special Revenue		
	General	Road Use Tax	Local Option Tax
Receipts:			
Property tax	\$ 441,321	\$ -0-	\$ -0-
Tax increment financing	-0-	-0-	-0-
Other city tax	-0-	-0-	224,146
Licenses and permits	6,499	-0-	-0-
Use of money and property	18,260	-0-	-0-
Intergovernmental	85,657	188,706	-0-
Charges for services	135,012	2,780	-0-
Miscellaneous	108,873	-0-	-0-
Total receipts	<u>795,622</u>	<u>191,486</u>	<u>224,146</u>
Disbursements:			
Operating:			
Public safety	273,532	-0-	-0-
Public works	-0-	314,984	-0-
Culture and recreation	280,454	-0-	-0-
General government	167,976	-0-	-0-
Debt service	-0-	-0-	-0-
Capital projects	-0-	-0-	-0-
Total disbursements	<u>721,962</u>	<u>314,984</u>	<u>-0-</u>
Excess (deficiency) of receipts over (under) disbursements	73,660	(123,498)	224,146
Other financing sources (uses):			
Sale of capital assets	617	300	-0-
Operating transfers in	112,073	112,073	-0-
Operating transfers out	(383,449)	(100,000)	(224,146)
Total other financing sources (uses)	<u>(270,759)</u>	<u>12,373</u>	<u>(224,146)</u>
Change in cash balances	(197,099)	(111,125)	-0-
Cash balances, beginning of year	<u>663,146</u>	<u>233,222</u>	<u>-0-</u>
Cash balances, end of year	\$ <u>466,047</u>	\$ <u>122,097</u>	\$ <u>-0-</u>
Cash Basis Fund Balances			
Restricted for:			
Streets	\$ -0-	\$ 122,097	\$ -0-
Assigned for library	272,964	-0-	-0-
Assigned for capital project	-0-	-0-	-0-
Unassigned	193,083	-0-	-0-
Total cash basis fund balances	\$ <u>466,047</u>	\$ <u>122,097</u>	\$ <u>-0-</u>

See notes to financial statements.

EXHIBIT B

Capital Projects					Other	Total
Debt Service	City Service Building	Housing Project	Non-major Governmental Funds			
\$	-0-	\$	-0-	\$	-0-	\$ 441,321
	-0-		-0-		348	348
	-0-		-0-		-0-	224,146
	-0-		-0-		-0-	6,499
	-0-		-0-		-0-	18,260
	-0-		43,370		11,554	329,287
	-0-		-0-		-0-	137,792
	-0-		-0-		-0-	108,873
	-0-		43,370		11,902	1,266,526
	-0-		-0-		-0-	273,532
	-0-		-0-		-0-	314,984
	-0-		-0-		-0-	280,454
	-0-		-0-		-0-	167,976
268,535	-0-		-0-		-0-	268,535
-0-	-0-		105,469		48,338	153,807
268,535	-0-		105,469		48,338	1,459,288
(268,535)	-0-		(62,099)		(36,436)	(192,762)
-0-	-0-		-0-		-0-	917
268,535	300,000		-0-		28,301	820,982
-0-	-0-		-0-		-0-	(707,595)
268,535	300,000		-0-		28,301	114,304
-0-	300,000		(62,099)		(8,135)	(78,458)
-0-	(641,707)		-0-		(24,575)	230,086
\$ -0-	\$ (341,707)	\$ (62,099)	\$ (32,710)	\$	151,628	
\$	-0-	\$	-0-	\$	-0-	\$ 122,097
	-0-		-0-		-0-	272,964
	-0-		-0-		14,042	14,042
	(341,707)		(62,099)		(46,752)	(257,475)
\$ -0-	\$ (341,707)	\$ (62,099)	\$ (32,710)	\$	151,628	

CITY OF OAKLAND

**STATEMENT OF CASH RECEIPTS, DISBURSEMENTS AND CHANGES IN CASH BALANCES
PROPRIETARY FUNDS**

AS OF AND FOR THE YEAR ENDED JUNE 30, 2016

	Water	Sewer
Operating receipts:		
Charges for services	\$ 813,818	\$ 71,654
Miscellaneous	516	-0-
Total receipts	<u>814,334</u>	<u>71,654</u>
Operating disbursements:		
Business type activities	<u>695,843</u>	<u>52,411</u>
Total disbursements	<u>695,843</u>	<u>52,411</u>
Operating income	118,491	19,243
Non-operating receipts (disbursements):		
Farm receipts	98,348	-0-
Farm disbursements	(58,974)	-0-
Meter deposits	2,569	-0-
Meter deposit refunds	(949)	-0-
Debt service	(97,740)	-0-
Capital outlay	(46,419)	-0-
Total non-operating receipts (disbursements)	<u>(103,165)</u>	<u>-0-</u>
Excess (deficiency) of receipts over (under) disbursements	15,326	19,243
Other financing sources (uses):		
Loan proceeds	5,000	-0-
Operating transfer out	(113,387)	-0-
Net financing sources (uses)	<u>(108,387)</u>	<u>-0-</u>
Change in cash balances	(93,061)	19,243
Cash balances beginning of year	<u>754,525</u>	<u>68,956</u>
Cash balances end of year	\$ <u>661,464</u>	\$ <u>88,199</u>
Cash Basis Fund Balances		
Restricted:		
Repairs and replacement	\$ 41,640	\$ -0-
Debt service	7,834	-0-
Unrestricted	611,990	88,199
Total cash basis fund balances	\$ <u>661,464</u>	\$ <u>88,199</u>

See notes to financial statements.

EXHIBIT C

<u>Sanitation</u>		<u>Total</u>	
\$	159,800	\$	1,045,272
	<u>-0-</u>		<u>516</u>
	159,800		1,045,788
	<u>159,730</u>		<u>907,984</u>
	159,730		907,984
	70		137,804
	-0-		98,348
	-0-		(58,974)
	-0-		2,569
	-0-		(949)
	-0-		(97,740)
	-0-		(46,419)
	<u>-0-</u>		<u>(103,165)</u>
	70		34,639
	-0-		5,000
	-0-		(113,387)
	<u>-0-</u>		<u>(108,387)</u>
	70		(73,748)
	<u>51,874</u>		<u>875,355</u>
\$	<u>51,,944</u>	\$	<u>801,607</u>
\$	-0-	\$	41,640
	-0-		7,834
	<u>51,944</u>		<u>752,133</u>
\$	<u>51,944</u>	\$	<u>801,607</u>

NOTES TO FINANCIAL STATEMENTS

CITY OF OAKLAND
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016

(1) Summary of Significant Accounting Policies

The City of Oakland is a political subdivision of the State of Iowa and located in Pottawattamie County. It was first incorporated in 1882 and operates under the Home Rule provisions of the Constitution of Iowa. The City operates under the Mayor-Council form of government with the Mayor and Council Members elected on a non-partisan basis. The City provides numerous services to citizens including public safety, public works, culture and recreation, community and economic development, and general administrative services. The City also provides water, sewer and sanitation utilities for its citizens.

A. Reporting Entity

For financial reporting purposes, the City of Oakland has included all funds, organizations, account groups, agencies, boards, commissions and authorities. The City has also considered all potential component units for which it is financially accountable, and other organizations for which the nature and significance of their relationship with the City are such that exclusion would cause the City's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body, and (1) the ability of the City to impose its will on that organization or (2) the potential for the organization to provide specific financial burdens on the City.

Blended Component Unit

The Eckels Memorial Library is legally separate from the City but financially accountable to the City. The library is governed by a board approved by the City Council and its operating budget is subject to approval by the City Council. The library is presented as a blended component unit of the City.

Jointly Governed Organizations

The City participates in several jointly governed organizations that provide goods or services to the citizenry of the City but do not meet the criteria of a joint venture since there is no ongoing financial interest or responsibility by the participating governments. City officials are members of the following associations: Southwest Iowa Clerks Association, Iowa League of Cities, Iowa Municipal Financial Officers Association, Iowa Rural Water Association, Iowa Association of Municipal Utilities, MAPA, Southwest Iowa Planning Council, Western Iowa Development Association, International Municipal Clerks Institute and Chamber of Commerce.

CITY OF OAKLAND
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016

(1) Summary of Significant Accounting Policies (Continued)

B. Basis of Presentation

Government-wide Financial Statements - The Statement of Activities and Net Position reports information on all of the non-fiduciary activities of the City. For the most part, the effect of interfund activity has been removed from this statement. Governmental activities, which are supported by tax and intergovernmental revenues, are reported separately from business type activities, which rely to a significant extent on fees and charges from services.

The Statement of Activities and Net Position presents the City's non-fiduciary net position. Net position is reported in the following categories/components:

Nonexpendable restricted net position is subject to externally imposed stipulations which require the cash balance to be maintained permanently by the City, including the City's Permanent Fund.

Expendable restricted net position results when constraints placed on the use of cash balances are either externally imposed or imposed by law through constitutional provision or enabling legislation.

Unrestricted net position consists of cash balances not meeting the definition of the preceding categories. Unrestricted net position often have constraints on cash balances imposed by management which can be removed or modified.

The Cash Basis Statement of Activities and Net Position demonstrates the degree to which the direct disbursements of a given function are offset by program receipts. Direct disbursements are those clearly identifiable with a specific function. Program receipts include: 1) charges to customers or applicants whose purchase, or use directly benefit from goods, services, or privileges provided by a given function and 2) grants and contributions restricted to meeting the operational or capital requirements of a particular function. Property tax and other items not properly included among program receipts are reported instead as general receipts.

Fund Financial Statements - Separate financial statements are provided for governmental funds and proprietary funds. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements. All remaining governmental funds are aggregated and reported as non-major governmental funds.

CITY OF OAKLAND
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016

(1) Summary of Significant Accounting Policies (Continued)

B. Basis of Presentation (Continued)

The City reports the following major governmental funds:

The General Fund is the general operating fund of the City. All general tax receipts and other receipts not allocated by law or contractual agreement to some other fund are accounted for in this fund. From the fund are paid the general operating disbursements, the fixed charges and the capital improvement costs that are not paid from other funds.

Special Revenue, the Road Use Tax Fund is used to account for the road use tax allocation from the State of Iowa to be used for road construction and maintenance.

The Debt Service Fund is used to account for property tax and other receipts to be used for the payment of interest and principal on the City's long-term debt.

The Capital Projects Fund is used to account for the financing and construction costs of the Community Service Center.

The City reports the following major proprietary fund:

The Water Fund accounts for the operation and maintenance of the City's water system.

The City also reports the following additional proprietary funds:

The Sewer Fund accounts for the operation and maintenance of the City's waste water treatment and sanitary sewer system.

The Sanitation Fund accounts for the operation and maintenance of the City's sanitation service.

CITY OF OAKLAND
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016

(1) Summary of Significant Accounting Policies (Continued)

C. Measurement Focus and Basis of Accounting

The City maintains its financial records on the basis of cash receipts and disbursements and the financial statements of the City are prepared on that basis. The cash basis of accounting does not give effect to accounts receivable, accounts payable and accrued items. Accordingly, the financial statements do not present financial position and results of operations of the funds in accordance with U.S. generally accepted accounting principles.

Under the terms of grant agreements, the City funds certain programs by a combination of specific cost-reimbursement grants, categorical block grant and general receipts. Thus, when program disbursements are paid, there is both restricted and unrestricted cash basis net position available to finance the program. It is the City's policy to first apply cost-reimbursement grant resources to such programs, followed by categorical block grants and then by general receipts.

When a disbursement in governmental funds can be paid using either restricted or unrestricted resources, the City's policy is generally to first apply the disbursement toward restricted fund balance and then to less-restrictive classifications - committed, assigned and then unassigned fund balances.

Proprietary funds distinguish operating receipts and disbursements from non-operating items. Operating receipts and disbursements generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. All receipts and disbursements not meeting this definition are reported as non-operating receipts and disbursements.

D. Governmental Cash Basis Fund Balances

In the governmental fund financial statements, cash basis fund balances are classified as follows:

Nonspendable - Amounts which cannot be spent because they are legally or contractually required to be maintained intact.

Restricted - Amounts restricted to specific purposes when constraints placed on the use of the resources are either externally imposed by creditors, grantors or state or federal laws or imposed by law through constitutional provisions or enabling legislation.

Assigned - Amounts the City Council intends to use for specific purposes.

Unassigned - All amounts not included in the preceding classifications.

CITY OF OAKLAND
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016

(1) Summary of Significant Accounting Policies (Continued)

E. Budgets and Budgetary Accounting

The budgetary comparison and related disclosures are reported as Other Information. During the year ended June 30, 2016, disbursements exceed amounts budgeted in the public works and capital projects functions.

(2) Cash and Pooled Investments

The City's deposits in banks at June 30, 2016, were covered entirely by federal depository insurance or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to insure there will be no loss of public funds.

The City is authorized by statute to invest public funds in obligations of the United States government, its agencies and instrumentalities; certificates of deposit or other evidences of deposit at federally insured depository institutions approved by the City Council and the Treasurer of the State of Iowa; prime eligible bankers acceptances; certain high rated commercial paper; perfected repurchase agreements; certain registered open-end management investment companies; certain joint investment trusts; and warrants or improvement certificates of a drainage district.

The City's cash, which consists of cash on hand, cash in bank and certificates of deposit, held at two local institutions in the City's name and its component unit, totals \$953,235 as of June 30, 2016.

CITY OF OAKLAND
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016

(3) Notes Payable

Annual debt service requirements to maturity for the City's general obligation capital loan notes and water revenue notes are as follows:

Year Ending June 30,	General Obligation Capital Loan Notes		Water Revenue Capital Loan Notes		Total	
	Principal	Interest	Principal	Interest	Principal	Interest
2017	\$ 179,000	\$ 88,755	\$ 69,000	\$ 25,813	\$ 248,000	\$ 114,568
2018	179,000	84,780	70,000	24,605	249,000	109,385
2019	189,000	80,805	72,000	23,380	261,000	104,185
2020	195,000	76,205	73,000	22,120	268,000	98,325
2021	145,000	71,443	75,000	20,842	220,000	92,285
2022	150,000	67,605	76,000	19,530	226,000	87,135
2023	156,000	63,770	78,000	18,200	234,000	81,970
2024	161,000	59,778	79,000	16,835	240,000	76,613
2025	161,000	55,230	81,000	15,453	242,000	70,683
2026	172,000	50,683	82,000	14,035	254,000	64,718
2027	177,000	45,582	84,000	12,600	261,000	58,182
2028	182,000	40,103	86,000	11,130	268,000	51,233
2029	175,000	34,387	87,000	9,625	262,000	44,012
2030	180,000	28,545	89,000	8,103	269,000	36,648
2031	185,000	22,535	91,000	6,545	276,000	29,080
2032	185,000	13,432	93,000	4,952	278,000	18,384
2033	195,000	4,387	94,000	3,325	289,000	7,712
2034	-0-	-0-	96,000	1,680	96,000	1,680
Total	\$ 2,966,000	\$ 888,025	\$ 1,475,000	\$ 258,773	\$ 4,441,000	\$ 1,146,798

Drinking Water Program Revolving Loan

On September 24, 2008, the City financed the Lime Sludge Lagoon Project in part through the Iowa Finance Authority. The \$187,000 loan bears interest at 3.0%, requires semi-annual principal and interest payments, and matures June 1, 2028.

Dual Purpose Capital Loan Notes

On March 26, 2013, the City issued \$500,000 general obligation capital loan notes to finance the purchase of a pumper/tanker for the fire department and to finance Phase II construction of the City Services Building. The \$500,000 notes bear interest at 0.65% to 3.15%, require semi-annual principal and interest payments, and mature on June 1, 2032. Notes maturing after June 1, 2019 may be called for redemption by the City and paid before maturity.

CITY OF OAKLAND
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016

(3) Notes Payable (Continued)

Community Service Building Capital Loan Notes

On April 26, 2012, the City issued \$2,500,000 general obligation capital loan notes to finance the construction of the City Service Building. The notes bear interest at 2.65% to 3.35%, require semi-annual interest and annual principal payments, and mature on June 1, 2031. Notes maturing after June 1, 2019 may be called for redemption by the City and paid before maturity.

Community Service Building Capital Loan Notes

On August 12, 2013, the City issued \$325,000 general obligation capital loan notes to finance the completion of the City Services Building. The notes bear interest at 4.5%, require semi-annual interest payments through 2031, then require semi-annual principal and interest payments in 2032 and 2033, and mature on June 1, 2033.

Water Revenue Capital Loan Notes

On June 16, 2014, the City issued \$1,608,000 water revenue capital loan notes to finance reverse osmosis water treatment plant improvements. The notes bear interest at 2.00%, require semi-annual interest and annual principal payments, and mature on June 1, 2034. The notes are payable solely from the water customer net receipts and require monthly deposits into a sinking fund for upcoming principal and interest payments. For the year ended June 30, 2016, \$5,000 proceeds of the notes were received.

(4) Other Postemployment Benefits (OPEB)

Plan Description - The City operates a single-employer retiree benefit plan which provides a medical/prescription drug benefits for retirees and their spouses. There are 4 active and no retired members in the plan. Participants must be age 55 or older at retirement.

The medical/prescription drug benefits are provided through a fully-insured plan with Wellmark. Retirees under age 65 pay the same premium for the medical/prescription drug benefits as active employees.

Funding Policy - The contribution requirements of plan members are established and may be amended by the City. The City currently finances the benefit plan on a pay-as-you-go basis. The most recent active member monthly premiums of the City and plan members are \$367 for single coverage and \$918 for family coverage. For the year ended June 30, 2016, the City contributed \$44,959 and the plan members eligible for benefits contributed \$-0-.

CITY OF OAKLAND
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016

(5) Pension Plan

Plan Description - IPERS membership is mandatory for employees of the City, except for those covered by another retirement system. Employees of the City are provided with pensions through a cost-sharing multiple employer defined benefit pension plan administered by Iowa Public Employees' Retirement System (IPERS). IPERS issues a stand-alone financial report which is available to the public by mail at 7401 Register Drive P.O. Box 9117, Des Moines, Iowa 50306-9117 or at www.ipers.org.

IPERS benefits are established under Iowa Code chapter 97B and the administrative rules thereunder. Chapter 97B and the administrative rules are the official plan documents. The following brief description is provided for general informational purposes only. Refer to the plan documents for more information.

Pension Benefits - A regular member may retire at normal retirement age and receive monthly benefits without an early-retirement reduction. Normal retirement age is age 65, any time after reaching age 62 with 20 or more years of covered employment, or when the member's years of service plus the member's age at the last birthday equals or exceeds 88, whichever comes first. (These qualifications must be met on the member's first month of entitlement to benefits.) Members cannot begin receiving retirement benefits before age 55. The formula used to calculate a Regular member's monthly IPERS benefit includes:

- A multiplier (based on years of service).
- The member's highest five-year average salary. (For members with service before June 30, 2012, the highest three-year average salary as of that date will be used if it is greater than the highest five-year average salary.)

If a member retires before normal retirement age, the member's monthly retirement benefit will be permanently reduced by an early-retirement reduction. The early-retirement reduction is calculated differently for service earned before and after July 1, 2012. For service earned before July 1, 2012, the reduction is 0.25 percent for each month that the member receives benefits before the member's earliest normal retirement age. For service earned starting July 1, 2012, the reduction is 0.50 percent for each month that the member receives benefits before age 65.

Generally, once a member selects a benefit option, a monthly benefit is calculated and remains the same for the rest of the member's lifetime. However, to combat the effects of inflation, retirees who began receiving benefits prior to July 1990 receive a guaranteed dividend with their regular November benefit payments.

Disability and Death Benefits - A vested member who is awarded federal Social Security disability or Railroad Retirement disability benefits is eligible to claim IPERS benefits

CITY OF OAKLAND
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016

(5) Pension Plan (Continued)

regardless of age. Disability benefits are not reduced for early retirement. If a member dies before retirement, the member's beneficiary will receive a lifetime annuity or lump-sum payment equal to the present actuarial value of the member's accrued benefit or calculated with a set formula, whichever is greater. When a member dies after retirement, death benefits depend on the benefit option the member selected at retirement.

Contributions - Contribution rates are established by IPERS following the annual actuarial valuation, which applies IPERS' Contribution Rate Funding Policy and Actuarial Amortization Method. State statute limits the amount rates can increase or decrease each year to 1 percentage point. IPERS' Contribution Rate Funding Policy requires that the actuarial contribution rate be determined using the "entry age normal" actuarial cost method and the actuarial assumptions and methods approved by the IPERS Investment Board. The actuarial contribution rate covers normal cost plus the unfunded actuarial liability payment based on a 30-year amortization period. The payment to amortize the unfunded actuarial liability is determined as a level percentage of payroll based on the Actuarial Amortization Method adopted by the Investment Board.

In fiscal year 2016, pursuant to the required rate, Regular members contributed 5.95% of covered payroll and the City contributed 8.93% of covered payroll, for a total rate of 14.88%.

The City's contributions to IPERS for the year ended June 30, 2016 totaled \$25,332.

Collective Net Pension Liabilities, Collective Pension Expense, and Collective Deferred Outflows of Resources and Collective Deferred Inflows of Resources Related to Pensions - At June 30, 2015, the City's liability for its proportionate share of the collective net pension liability totaled \$199,629. The collective net pension liability was measured as of June 30, 2015, and the total pension liability used to calculate the collective net pension liability was determined by an actuarial valuation as of that date. The City's proportion of the collective net pension liability was based on the City's share of contributions to the pension plan relative to the contributions of all IPERS participating employers. At June 30, 2015, the City's proportion was 0.004015 percent, which was a decrease of 0.000189% from its proportion measured as of June 30, 2014.

For the year ended June 30, 2016 the City collective pension expense, collective deferred outflows and collective deferred inflows totaled \$16,835, \$38,380, and \$46,482, respectively.

CITY OF OAKLAND
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016

(5) Pension Plan (Continued)

Actuarial Assumptions - The total pension liability in the June 30, 2014 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Rate of inflation (effective June 30, 2014)	3.00 percent per annum
Rates of salary increase (effective June 30, 2010)	4.00 to 17.00 percent, average, including inflation. Rates vary by membership group.
Long-term investment rate of return (effective June 30, 1996)	7.50 percent, compounded annually, net of investment expense, including inflation.
Wage growth (effective June 30, 1990)	4.00% per annum, based on 3.00% inflation and 1.00% real wage inflation.

The actuarial assumptions used in the June 30, 2015 valuation were based on the results of actuarial experience studies with dates corresponding to those listed above.

Mortality rates were based on the RP-2000 Mortality Table for Males or Females, as appropriate, with adjustments for mortality improvements based on Scale AA.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighing the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of arithmetic real rates of return for each major assets class are summarized in the following table:

<u>Asset Class</u>	<u>Asset Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Core plus fixed income	28%	2.04%
Domestic equity	24	6.29
International equity	16	6.75
Private equity/debt	11	11.32
Real estate	8	3.48
Credit Opportunities	5	3.63
U.S. TIPS	5	1.91
Other real assets	2	6.24
Cash	1	(0.71)
Total	<u>100%</u>	

CITY OF OAKLAND
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016

(5) Pension Plan (Continued)

Discount Rate - The discount rate used to measure the total pension liability was 7.5 percent. The projection of cash flows used to determine the discount rate assumed that employee contributions will be made at the contractually required rates and that contributions from the City will be made at contractually required rates, actuarially determined. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the City's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate - The following presents the City's proportionate share of the net pension liability calculated using the discount rate of 7.5 percent, as well as what the City's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1 percentage-point lower (6.5 percent) or 1 percentage-point higher (8.5 percent) than the current rate.

	1% Decrease (6.5%)	Discount Rate (7.5%)	1% Increase (8.5%)
City's proportionate share of the net pension liability	\$349,514	\$199,629	\$73,115

Pension Plan Fiduciary Net Position - Detailed information about the pension plan's fiduciary net position is available in the separately issued IPERS financial report which is available on IPERS' website at www.ipers.org.

CITY OF OAKLAND
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016

(6) Compensated Absences

City employees accumulate a limited amount of earned but unused vacation for subsequent use or for payment upon termination, retirement or death and sick leave hours for subsequent use during employment. These accumulations are not recognized as disbursements by the City until used or paid. Sick leave hours accumulate but are not payable upon termination. Upon retirement, employees are paid a maximum of \$2,000 of accumulated sick leave. The City's approximate liability for earned vacation and sick leave payments payable to employees at June 30, 2016, primarily relating to the Water Fund, is as follows:

Type of Benefit	Amount June 30, 2016
Vacation	\$ 18,330
Sick leave	80,613
	<u>\$ 98,943</u>

This liability has been computed based on rates of pay in effect at June 30, 2016.

(7) Interfund Transfers

The detail of interfund transfers for the year ended June 30, 2016, is as follows:

Transfer to	Transfer from	Amount
General fund	Special Revenue - Local Option	\$ 112,073
Special Revenue - Road Use	Special Revenue - Local Option	112,073
Debt Service	General Fund	255,148
Debt Service	Enterprise - Water	13,388
Capital Projects - City Service Building	Enterprise - Water	100,000
Capital Projects - City Service Building	Special Revenue - Road Use	100,000
Capital Projects - City Service Building	General Fund	100,000
Capital Projects - Signage	General Fund	28,301
Total		<u>\$ 820,983</u>

Transfers generally move resources from the fund statutorily required to collect the resources to the fund statutorily required to disburse the resources.

CITY OF OAKLAND
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016

(8) Risk Management

The City of Oakland is a member in the Iowa Communities Assurance Pool, as allowed by Chapter 670.7 of the Code of Iowa. The Iowa Communities Assurance Pool (Pool) is a local government risk-sharing pool whose 746 members include various governmental entities throughout the State of Iowa. The Pool was formed in August 1986 for the purpose of managing and funding third-party liability claims against its members. The Pool provides coverage and protection in the following categories: general liability, automobile liability, automobile physical damage, public officials' liability, police professional liability, property, inland marine, and boiler/machinery. There have been no reductions in insurance coverage from prior years.

Each member's annual casualty contributions to the Pool fund current operations and provide capital. Annual operating contributions are those amounts necessary to fund, on a cash basis, the Pool's general and administrative expenses, claims, claim expenses and reinsurance expenses due and payable in the current year, plus all or any portion of any deficiency in capital. Capital contributions are made during the first six years of membership and are maintained at a level determined by the Board not to exceed 300% of basis rate.

The Pool also provides property coverage. Members who elect such coverage make annual operating contributions which are necessary to fund, on a cash basis, the Pool's general and administrative expenses and reinsurance premiums all of which are due and payable in the current year, plus all or any portion of any deficiency in capital. Any year-end operating surplus is transferred to capital. Deficiencies in operations are offset by transfers from capital and, if sufficient, by the subsequent year's member contributions.

The City's property and casualty contributions to the risk pool are recorded as disbursements from its operating funds at the time of payment to the risk pool. The City's contribution to the Pool for the year ended June 30, 2016 was \$69,948.

The Pool uses reinsurance and excess risk-sharing agreements to reduce its exposure to large losses. The Pool retains general, automobile, police professional, and public officials' liability risks up to \$350,000 per claim. Claims exceeding \$350,000 are reinsured through reinsurance and excess risk-sharing agreements up to the amount of risk-sharing protection provided by the City's risk-sharing certificate. Property and automobile physical damage risks are retained by the Pool up to \$250,000 each occurrence, each location. Property risks exceeding \$250,000 are reinsured through reinsurance and excess risk-sharing agreements up to the amount of risk-sharing protection provided by the City's risk-sharing certificate.

CITY OF OAKLAND
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016

(8) Risk Management (Continued)

The Pool's intergovernmental contract with its members provides that in the event a casualty claim or series of claims exceeds the amount of risk-sharing protection provided by the member's risk-sharing certificate, or in the event that a series of casualty claims exhausts total members' equity plus any reinsurance and any excess risk-sharing recoveries, then payment of such claims or losses shall be the obligation of the respective individual member against whom the claim was made or the loss was incurred.

Members agree to continue membership in the Pool for a period of not less than one full year. After such period, a member who has given 60 days' prior written notice may withdraw from the Pool. Upon withdrawal, payments for all casualty claims and claims expenses become the sole responsibility of the withdrawing member, regardless of whether a claim was incurred or reported prior to the member's withdrawal. Upon withdrawal, a formula set forth in the Pool's intergovernmental contract with its members is applied to determine the amount (if any) to be refunded to the withdrawing member.

The City also carries workers' compensation insurance purchased from the Iowa Municipalities Workers' Compensation Association, IMWCA. The City assumes liability for any deductibles, and claims in excess of coverage limitations. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

(9) Urban Renewal

On May 11, 1998, the City established the Oakland Urban Renewal Area. The objective of the plan is to encourage residential development in this urban renewal area. The urban renewal area includes the Water Expansion Project completed as of June 30, 2000. Urban Renewal Tax Increment Financing Notes were issued to finance the Street Project. On July 11, 2005, the City approved a program within this urban renewal plan for residential and commercial development in cooperation with the Oakland Industrial Foundation. On May 12, 2008, the City adopted Amendment No. 1 to the Urban Renewal Plan expanding the Urban Renewal Area.

On January 10, 2000, the City established the Oakland Urban Renewal Area South. The objective of the plan was to encourage commercial development in this urban renewal area. The project included the construction of a distribution facility of approximately 18,000 square feet to be used as a retail discount store. Once these improvements were completed the City agreed to make an Economic Development Grant to the Developer, Oakland Industrial Foundation, Inc. The Economic Development Urban Renewal Tax Increment Financing Notes were issued as a result of this project. On May 12, 2008, the City adopted Amendment No. 1 to the Urban Renewal Plan expanding the Urban Renewal Area.

CITY OF OAKLAND
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016

(9) Urban Renewal (Continued)

On May 5, 2001, the City established the Oakland Manor Urban Renewal Area. The project involved providing direct financial assistance to a developer to help finance the construction of an assisted living health care facility. The City intends to provide assistance in the form of property tax rebates. Under the proposal, 100% of the incremental property tax generated by the project will be rebated to the developer for a maximum of 5 years, from the time debt is first certified to the County. These rebates will not be general obligation of the City, but will be payable solely from incremental property taxes generated by the project.

On February 13, 2012, the City established the 2012 Urban Renewal District in the annexed area northwest of the intersection of Highways 6 and 59. The area includes the Oakland Foods industrial complex which comprises over 43% of the area of the district. The specific goals of the district include constructing a reverse osmosis water treatment plant thereby increasing the City's supply of treated potable water to Oakland Foods and constructing a lift station and collection system connections to the City's wastewater treatment system. On June 14, 2014, the City issued \$1,608,000 Water Revenue Capital Loan Notes to finance the projects.

(10) Library Construction and Contingency

On April 7, 1997, the City entered into a gift agreement for an addition to the Eckles Memorial Library. The donor paid the construction costs up to \$100,000. The agreement contains a covenant requiring the City to allow a genealogy group to occupy and use a portion of the building for fifty years with a right to renewal for an additional fifty years. Breach of the covenant would require the City to pay over \$100,000 to an educational trust.

(11) Deficit Balances

The Capital Projects - City Service Building Fund has a deficit balance of \$341,707 at June 30, 2016.

The Capital Projects - Schueman Park Fund has a deficit balance of \$46,752 at June 30, 2016.

The Capital Projects - Housing Project Fund has a deficit balance of \$62,099 at June 30, 2016.

The deficits represent ongoing projects and will be eliminated by grants and transfers.

CITY OF OAKLAND
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016

(12) Commitments

Garbage Collection Service Agreement

The City signed an agreement on September 1, 2012 with M & K Mills Tree Service, Inc. for the collection of garbage, rubbish, and recyclables. The contract runs from September 1, 2012 to August 31, 2022. The contracted amount per residential unit for up to six 32-gallon containers per week is \$7.50 for the first five years and \$8.00 thereafter. The contracted amount for commercial, industrial and institutional premises with dumpsters is \$5.00 per yard per week for five years and \$1.75 per unit per month for recyclables for five years.

Administrative Services Agreement

On April 1, 2012, the City entered in to an agreement with TRISTAR Benefits Administrators for the purpose of establishing terms for a third party administrator of the City of Oakland's partially self-funded benefit plan. The annual administration fee is \$850. The fees are subject to change by TRISTAR Benefits Administrators on April 1, 2013, and each year thereafter on the same date.

MidAmerican Energy Company Ordinance

On December 12, 2004, the city passed an ordinance granting to MidAmerican Energy Company, its successors and assigns, the right and franchise to acquire, construct, erect, maintain and operate a natural gas system in the City of Oakland and to furnish and sell natural gas to the City and its inhabitant's for a period of twenty-five years.

Law Enforcement Service Contract

The City renewed its Law Enforcement Services Contract with Pottawattamie County for the services of the Pottawattamie County Sheriff's Department as of July 1, 2016. The contract is payable in four quarterly installments of \$6,681.

CITY OF OAKLAND
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016

(13) Grants

Neighborhood Strengthening Grant

In August 2015, the Pottawattamie County Community Foundation awarded a Neighborhood Strengthening Grant to the Oakland Betterment Committee with the City of Oakland as their fiscal sponsor in the amount of \$5,000 to support the Oakland Main Street Block Party. All grant funds were received by June 30, 2016.

2016 CITIES Program Re-Capitalization Grant

In April 2016, the City was awarded a \$150,000 Community Improvements To Increase Economic Stability (CITIES) grant for the purpose of constructing two affordable single-family homes on cleared sites. The grant expires on March 15, 2021. For the year ended June 30, 2016, the City had received grant funds of \$43,370.

Public Assistance Grant

In October 2014, the City was awarded a Public Assistance grant of \$115,545 from the Iowa Homeland Security and Emergency Management Department for numerous repairs after the 2014 tornado. Grant proceeds of \$103,991 was received in fiscal year 2014 and \$11,554 was received for the year ended June 30, 2016.

(14) Related Party Transactions

The City had no business transactions between City and City officials during the year ended June 30, 2016.

(15) New Accounting Pronouncement

The City of Oakland adopted fair value guidance as set forth in Governmental Accounting Standards Board Statement No. 72, Fair Value Measurement and Application. The Statement sets forth guidance for determining and disclosing the fair value of assets and liabilities reported in the financial statements. Adoption of the guidance did not have a significant impact on amounts reported or disclosed in the financial statements.

(16) Subsequent Events

Management has evaluated subsequent events through September 27, 2016, the date on which the financial statements were available to be issued.

OTHER INFORMATION

**CITY OF OAKLAND
BUDGETARY COMPARISON SCHEDULE
OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN BALANCES -
BUDGET AND ACTUAL (CASH BASIS) - ALL GOVERNMENTAL FUNDS AND PROPRIETARY FUNDS**

OTHER INFORMATION

YEAR ENDED JUNE 30, 2016

	Governmental Funds Actual	Proprietary Funds Actual
Receipts:		
Property tax	\$ 441,321	\$ -0-
Tax increment financing	348	-0-
Other city tax	224,146	-0-
Licenses and permits	6,499	-0-
Use of money and permits	18,260	-0-
Intergovernmental	329,287	-0-
Charges for services	137,792	1,146,189
Miscellaneous	108,873	516
Total receipts	<u>1,266,526</u>	<u>1,146,705</u>
Disbursements:		
Public safety	273,532	-0-
Public works	314,984	-0-
Health and social services	-0-	-0-
Culture and recreation	280,454	-0-
Community and economic development	-0-	-0-
General government	167,976	-0-
Debt service	268,535	-0-
Capital projects	153,807	-0-
Business type	-0-	1,112,066
Total disbursements	<u>1,459,288</u>	<u>1,112,066</u>
Excess (deficiency) of receipts over (under) disbursements	(192,762)	34,639
Other financing sources, net	<u>114,304</u>	<u>(108,387)</u>
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	(78,458)	(73,748)
Balances beginning of year	<u>230,086</u>	<u>875,355</u>
Balances end of year	<u>\$ 151,628</u>	<u>\$ 801,607</u>

See Accompanying Independent Auditor's Report.

Total	Budgeted Amounts		Final to Total Variance
	Original	Final	
\$ 441,321	\$ 416,271	\$ 416,271	\$ 25,050
348	-0-	348	-0-
224,146	188,008	268,008	(43,862)
6,499	4,900	7,000	(501)
18,260	4,100	1,500	16,760
329,287	170,453	262,107	67,180
1,283,981	1,341,121	1,396,071	(112,090)
109,389	20,000	76,000	33,389
<u>2,413,231</u>	<u>2,144,853</u>	<u>2,427,305</u>	<u>(14,074)</u>
273,532	237,003	372,867	99,335
314,984	165,800	313,400	(1,584)
-0-	-0-	-0-	-0-
280,454	221,223	296,524	16,070
-0-	-0-	-0-	-0-
167,976	132,010	172,297	4,321
268,535	275,278	275,278	6,743
153,807	53,000	112,789	(41,018)
1,112,066	1,005,250	1,118,408	6,342
<u>2,571,354</u>	<u>2,089,564</u>	<u>2,661,563</u>	<u>90,209</u>
(158,123)	55,289	(234,258)	76,135
<u>5,917</u>	<u>-0-</u>	<u>-0-</u>	<u>5,917</u>
(152,206)	55,289	(234,258)	82,052
<u>1,105,441</u>	<u>1,105,441</u>	<u>1,105,441</u>	<u>-0-</u>
\$ <u>953,235</u>	\$ <u>1,160,730</u>	\$ <u>871,183</u>	\$ <u>82,052</u>

CITY OF OAKLAND

NOTES TO OTHER INFORMATION - BUDGETARY REPORTING

JUNE 30, 2016

The budgetary comparison is presented in accordance with Governmental Accounting Standards Board Statement No. 41 for governments with significant budgetary perspective differences resulting from not being able to present budgetary comparisons for the General Fund and each major Special Revenue Fund.

In accordance with the Code of Iowa, the City Council annually adopts a budget on the cash basis following required public notice and hearing for all funds except Internal Service Funds. The annual budget may be amended during the year utilizing similar statutorily prescribed procedures.

Formal and legal budgetary control is based upon ten major classes of disbursements known as functions, not by fund. These ten functions are: public safety, public works, health and social services, culture and recreation, community and economic development, general government, debt service, capital projects, business type activities and non-program. Function disbursements required to be budgeted include disbursements for the General Fund, Special Revenue Funds, Debt Service Fund, Capital Projects Funds and Proprietary Funds. Although the budget document presents function disbursements by fund, the legal level of control is at the aggregated function level, not by fund. During the year, one budget amendment increased budgeted receipts by \$282,452 and disbursements by \$571,999. The budget amendments are reflected in the final budgeted amounts.

During the year ended June 30, 2016, disbursements exceeded the amounts budgeted in the public works and capital projects functions.

**CITY OF OAKLAND
SCHEDULE OF THE CITY'S PROPORTIONATE SHARE
OF THE NET PENSION LIABILITY**

**IOWA PUBLIC EMPLOYEES' RETIREMENT SYSTEM
LAST TWO FISCAL YEARS**

OTHER INFORMATION

	<u>2016</u>	<u>2015</u>
City's proportion of the net pension liability	.004015%	.003826%
City's proportionate share of the net pension liability	\$ 199,629	\$ 154,819
City's covered-employee payroll	\$ 283,775	\$ 277,575
City's proportionate share of the net pension liability as a percentage of its covered-employee payroll	70.35%	55.77%
Plan fiduciary net position as a percentage of the total pension liability	85.19%	87.61%
* The amounts presented for each fiscal year were determined as of June 30 of the preceding fiscal year.		

See accompanying independent auditor's report.

Note: GASB Statement No. 68 requires ten years of information to be presented in this table. However, until a full 10-year trend is compiled, the City will present information for those years for which information is available.

**CITY OF OAKLAND
SCHEDULE OF CITY CONTRIBUTIONS**

**IOWA PUBLIC EMPLOYEES' RETIREMENT SYSTEM
LAST THREE FISCAL YEARS**

OTHER INFORMATION

	<u>2016</u>	<u>2015</u>	<u>2014</u>
Statutorily required contribution	\$ 25,341	\$ 24,720	\$ 24,787
Contributions in relation to the statutorily required contribution	\$ <u>25,332</u>	\$ <u>24,718</u>	\$ <u>24,787</u>
Contribution deficiency (excess)	\$ <u>9</u>	\$ <u>2</u>	\$ <u>-0-</u>
City's covered-employee payroll	\$ 283,775	\$ 276,823	\$ 277,575
Contributions as a percentage of covered-employee payroll	8.93%	8.93%	8.93%

See accompanying independent auditor's report.

CITY OF OAKLAND
NOTES TO OTHER INFORMATION - PENSION LIABILITY
YEAR ENDED JUNE 30, 2016

Changes of benefit terms:

Legislation passed in 2010 modified benefit terms for current Regular members. The definition of final average salary changed from the highest three to the highest five years of covered wages. The vesting requirement changed from four years of service to seven years. The early retirement reduction increased from 3% per year measured from the member's first unreduced retirement age to a 6% reduction for each year of retirement before age 65.

Legislative action in 2008 transferred four groups - emergency medical service providers, county jailers, county attorney investigators, and National Guard installation security officers - from Regular membership to the protection occupation group for future service only.

Changes of assumptions:

The 2014 valuation implemented the following refinements as a result of a quadrennial experience study:

- Decreased the inflation assumption from 3.25% to 3.00%.
- Decreased the assumed rate of interest on member accounts from 4.00% to 3.75% per year.
- Adjusted male mortality rates for retirees in the Regular membership group.
- Reduced retirement rates for sheriffs and deputies between the ages of 55 and 64.
- Moved from an open 30-year amortization period to a closed 30-year amortization period for the UAL beginning June 30, 2014. Each year thereafter changes in the UAL from plan experience will be amortized on a separate closed 20-year period.

The 2010 valuation implemented the following refinements as a result of a quadrennial experience study:

- Adjusted retiree mortality assumptions.
- Modified retirement rates to reflect fewer retirements.
- Lowered disability rates at most ages.
- Lowered employment termination rates.
- Generally increased the probability of terminating members receiving a deferred retirement benefit.
- Modified salary increase assumptions based on various service duration.

The 2007 valuation adjusted the application of the entry age normal cost method to better match projected contributions to the projected salary stream in the future years. It also included the one-year lag between the valuation date and the effective date of the annual actuarial contribution rate in the calculation of the UAL amortization payments.

SUPPLEMENTARY INFORMATION

CITY OF OAKLAND

**STATEMENT OF CASH RECEIPTS, DISBURSEMENTS
AND CHANGES IN CASH BALANCES -
NON-MAJOR GOVERNMENTAL FUNDS**

AS OF AND FOR THE YEAR ENDED JUNE 30, 2016

	Special Revenue	
	Urban Renewal Tax Increment	Hazard Mitigation
Receipts:		
Tax increment financing	\$ 348	\$ -0-
Intergovernmental	-0-	11,554
Total receipts	348	11,554
Disbursements:		
Operations:		
Capital projects	-0-	-0-
Total disbursements	-0-	-0-
Excess (deficiency) of receipts over (under) disbursements	348	11,554
Other financing sources (uses):		
Operating transfers in	-0-	-0-
Operating transfers out	-0-	-0-
Net financing sources (uses)	-0-	-0-
Change in cash balances	348	11,554
Cash balances beginning of year	-0-	-0-
Cash balances end year	\$ 348	\$ 11,554
Cash Basis Fund Balances		
Assigned	\$ 348	\$ 11,554
Unassigned	-0-	-0-
Total cash basis fund balances	\$ 348	\$ 11,554

See Accompanying Independent Auditor's Report.

SCHEDULE 1

Capital Projects			
Signage	Schueman Park	Aquatic Center	Total
\$ -0-	\$ -0-	\$ -0-	\$ 348
-0-	-0-	-0-	11,554
-0-	-0-	-0-	11,902
14,788	33,550	-0-	48,338
14,788	33,550	-0-	48,338
(14,788)	(33,550)	-0-	(36,436)
28,301	-0-	-0-	28,301
-0-	-0-	-0-	-0-
28,301	-0-	-0-	28,301
13,513	(33,550)	-0-	(8,135)
(13,513)	(13,202)	2,140	(24,575)
\$ -0-	\$ (46,752)	\$ 2,140	\$ (32,710)
\$ -0-	\$ -0-	\$ 2,140	\$ 14,042
-0-	(46,752)	-0-	(46,752)
-0-	(46,752)	2,140	(32,710)

CITY OF OAKLAND
SCHEDULE OF INDEBTEDNESS

JUNE 30, 2016

	<u>Date of Issue</u>	<u>Interest Rates</u>	<u>Amount Originally Issued</u>
<u>Obligation</u>			
General obligation capital notes:			
Drinking Water Program Revolving Loan	Sep 24, 2008	3.00%	\$ 187,000
City Service Building Capital Loan Notes	Apr 26, 2012	2.65% - 3.35%	\$ 2,500,000
Dual Purpose Capital Loan Notes	Mar 26, 2013	0.65% - 3.15%	\$ 500,000
City Service Building Capital Loan Notes	Aug 12, 2013	4.50%	\$ 325,000
Revenue notes:			
Water Revenue Capital Loan Notes	Jun 16, 2014	2.00%	\$ 1,608,000

See accompanying independent auditor's report.

SCHEDULE 2

<u>Balance Beginning of Year</u>	<u>Issued During Year</u>	<u>Redeemed During Year</u>	<u>Balance End of Year</u>	<u>Interest Paid</u>	<u>Interest Due and Unpaid</u>
\$ 135,000	\$ -0-	\$ 9,000	\$ 126,000	\$ 4,050	\$ 315
2,280,000	-0-	115,000	2,165,000	66,098	5,254
400,000	-0-	50,000	350,000	7,825	608
<u>325,000</u>	<u>-0-</u>	<u>-0-</u>	<u>325,000</u>	<u>14,625</u>	<u>1,219</u>
\$ <u>3,140,000</u>	\$ <u>-0-</u>	\$ <u>174,000</u>	\$ <u>2,966,000</u>	\$ <u>92,598</u>	\$ <u>7,396</u>
\$ <u>1,537,000</u>	\$ <u>5,000</u>	\$ <u>67,000</u>	\$ <u>1,475,000</u>	\$ <u>30,740</u>	\$ <u>2,151</u>

CITY OF OAKLAND

DEBT MATURITIES

JUNE 30, 2016

General Obligation Notes

Year Ended June 30,	<u>Dual Purpose Notes</u> <u>Issued March 26, 2013</u>		<u>Community Service Building Notes</u> <u>Issued August 12, 2013</u>	
	Interest Rates	Amount	Interest Rates	Amount
2017	1.05% - 3.15%	\$ 50,000	4.50%	\$ -0-
2018	1.05% - 3.15%	50,000	4.50%	-0-
2019	1.85% - 3.15%	55,000	4.50%	-0-
2020	1.85% - 3.15%	55,000	4.50%	-0-
2021	1.85% - 3.15%	5,000	4.50%	-0-
2022	1.85% - 3.15%	5,000	4.50%	-0-
2023	1.85% - 3.15%	5,000	4.50%	-0-
2024	3.15%	5,000	4.50%	-0-
2025	3.15%	5,000	4.50%	-0-
2026	3.15%	10,000	4.50%	-0-
2027	3.15%	10,000	4.50%	-0-
2028	3.15%	10,000	4.50%	-0-
2029	3.15%	10,000	4.50%	-0-
2030	3.15%	10,000	4.50%	-0-
2031	3.15%	10,000	4.50%	-0-
2032	3.15%	55,000	4.50%	130,000
2033	--	-0-	4.50%	195,000
Total		\$ 350,000		\$ 325,000

SCHEDULE 3
(Continued)

<u>Community Service Building Notes</u> <u>Issued April 26, 2012</u>			<u>Lime Sludge Lagoon Loan</u> <u>Issued September 24, 2008</u>		
<u>Year Ended June 30,</u>	<u>Interest Rates</u>	<u>Amount</u>	<u>Interest Rates</u>	<u>Amount</u>	<u>Total</u>
2017	2.65% - 3.35%	\$ 120,000	3.00%	\$ 9,000	\$ 179,000
2018	2.65% - 3.35%	120,000	3.00%	9,000	179,000
2019	2.65% - 3.35%	125,000	3.00%	9,000	189,000
2020	2.65% - 3.35%	130,000	3.00%	10,000	195,000
2021	2.65% - 3.35%	130,000	3.00%	10,000	145,000
2022	2.55% - 3.35%	135,000	3.00%	10,000	150,000
2023	2.55% - 3.35%	140,000	3.00%	11,000	156,000
2024	2.55% - 3.35%	145,000	3.00%	11,000	161,000
2025	2.80% - 3.35%	145,000	3.00%	11,000	161,000
2026	2.95% - 3.35%	150,000	3.00%	12,000	172,000
2027	3.10% - 3.35%	155,000	3.00%	12,000	177,000
2028	3.15% - 3.35%	160,000	3.00%	12,000	182,000
2029	3.15% - 3.35%	165,000	--	-0-	175,000
2030	3.15% - 3.35%	170,000	--	-0-	180,000
2031	3.35%	175,000	--	-0-	185,000
2032	--	-0-	--	-0-	185,000
2033	--	-0-	--	-0-	195,000
Total		\$ <u>2,165,000</u>		\$ <u>126,000</u>	\$ <u>2,966,000</u>

See Accompanying Independent Auditor's Report.

Revenue Notes

Water Revenue Capital Loan Notes
Issued June 14, 2014

<u>Year Ended June 30,</u>	<u>Interest Rates</u>	<u>Amount</u>	<u>Total</u>
2017	2.00%	\$ 69,000	\$ 69,000
2018	2.00%	70,000	70,000
2019	2.00%	72,000	72,000
2020	2.00%	73,000	73,000
2021	2.00%	75,000	75,000
2022	2.00%	76,000	76,000
2023	2.00%	78,000	78,000
2024	2.00%	79,000	79,000
2025	2.00%	81,000	81,000
2026	2.00%	82,000	82,000
2027	2.00%	84,000	84,000
2028	2.00%	86,000	86,000
2029	2.00%	87,000	87,000
2030	2.00%	89,000	89,000
2031	2.00%	91,000	91,000
2032	2.00%	93,000	93,000
2033	2.00%	94,000	94,000
2034	2.00%	96,000	96,000
Total		\$ <u>1,475,000</u>	\$ <u>1,475,000</u>

See Accompanying Independent Auditor's Report.

CITY OF OAKLAND

SCHEDULE OF RECEIPTS BY SOURCE AND DISBURSEMENTS BY FUNCTION - ALL GOVERNMENTAL FUNDS

FOR THE LAST TEN YEARS

	<u>2016</u>		<u>2015</u>		<u>2014</u>		<u>2013</u>		<u>2012</u>
Receipts:									
Property taxes	\$ 441,321	\$	414,330	\$	424,406	\$	302,708	\$	300,460
Tax increment financing	348		45,673		18,871		11,166		31,990
Other city taxes	224,146		234,155		185,707		179,000		169,786
License and permits	6,499		6,860		4,831		6,667		6,020
Use of money and property	18,260		18,502		16,295		10,613		11,882
Intergovernmental	329,287		380,814		238,888		235,664		249,635
Charges for service	137,792		123,467		97,027		69,624		92,918
Miscellaneous	<u>108,873</u>		<u>62,295</u>		<u>156,335</u>		<u>130,991</u>		<u>128,087</u>
Total	\$ <u>1,266,526</u>	\$	<u>1,286,096</u>	\$	<u>1,142,360</u>	\$	<u>946,433</u>		<u>990,778</u>
Disbursements:									
Operating:									
Public safety	\$ 273,532	\$	163,368	\$	423,913	\$	304,840	\$	157,180
Public works	314,984		277,197		268,272		165,878		287,246
Culture and recreation	280,454		227,566		231,858		160,084		204,215
Comm and economic dev	-0-		-0-		-0-		6,162		6,707
General government	167,976		121,916		133,413		129,128		167,135
Debt service	268,535		265,577		267,240		126,721		99,242
Capital projects	<u>153,807</u>		<u>34,640</u>		<u>946,031</u>		<u>2,396,665</u>		<u>739,268</u>
Total	\$ <u>1,459,288</u>	\$	<u>1,090,2564</u>	\$	<u>2,270,727</u>	\$	<u>3,289,478</u>		<u>1,660,993</u>

See accompanying independent auditor's report.

SCHEDULE 4

	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>
\$	296,224	\$ 275,271	\$ 206,896	\$ 203,171	\$ 198,773
	18,622	27,316	218,833	203,412	208,720
	181,391	153,346	174,825	148,849	165,717
	5,892	4,953	6,353	5,801	6,302
	37,480	30,968	52,852	57,909	61,473
	220,574	395,809	342,146	192,842	564,584
	89,083	67,207	80,060	79,766	79,093
	<u>147,192</u>	<u>90,874</u>	<u>211,952</u>	<u>104,406</u>	<u>93,853</u>
\$	<u>993,458</u>	\$ <u>1,045,744</u>	\$ <u>1,293,917</u>	\$ <u>996,156</u>	\$ <u>1,378,515</u>
\$	100,371	\$ 153,822	\$ 170,153	\$ 219,763	\$ 155,821
	190,677	272,310	403,838	330,027	143,761
	191,150	195,613	132,345	137,908	175,994
	352,712	42,930	4,114	6,571	15,939
	118,847	242,537	85,324	141,302	98,789
	111,193	141,791	118,748	108,758	81,720
	<u>274,932</u>	<u>424,254</u>	<u>5,848</u>	<u>-0-</u>	<u>834,590</u>
\$	<u>1,339,882</u>	\$ <u>1,473,257</u>	\$ <u>920,370</u>	\$ <u>944,329</u>	\$ <u>1,506,614</u>

**INDEPENDENT AUDITOR'S REPORT
ON INTERNAL CONTROL OVER FINANCIAL REPORTING
AND ON COMPLIANCE AND OTHER MATTERS
BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED
IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**

MUXFELDT

ASSOCIATES, CPA, P.C.

Certified Public Accountant

September 27, 2016

INDEPENDENT AUDITOR'S REPORT
ON INTERNAL CONTROL OVER FINANCIAL REPORTING
AND ON COMPLIANCE AND OTHER MATTERS
BASED ON AN AUDIT OF FINANCIAL STATEMENTS
PERFORMED IN ACCORDANCE WITH
GOVERNMENT AUDITING STANDARD

Lonnie G. Muxfeldt
Certified Public
Accountant

Harlan Office:

2309 B Chatburn Ave.
P.O. Box 551
Harlan, IA 51537-0551

Ph. (712) 755-3366
Fax (712) 755-3343

Avoca Office:

305 W. High Street
P.O. Box 609
Avoca, IA 51521-0609

Ph. (712) 343-2379
Fax (712) 343-5012

www.muxfeldt-cpa.com
firm@muxfeldt-cpa.com

Licensed In:

Iowa
Missouri

To the Honorable Mayor and
Members of the City Council:

I have audited in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in the *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of the City of Oakland, Iowa as of and for the year ended June 30, 2016, and the related notes to financial statements, which collectively comprise the City's basic financial statements, and have issued my report thereon dated September 27, 2016. My report expressed unqualified opinions on the financial statements which were prepared on the basis of cash receipts and disbursements, a basis of accounting other than U.S. generally accepted accounting principles.

Internal Control Over Financial Reporting

In planning and performing my audit of the financial statements, I considered the City of Oakland's internal control over financial reporting to determine the audit procedures appropriate in the circumstances for the purpose of expressing my opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City of Oakland's internal control. Accordingly, I do not express an opinion on the effectiveness of the City of Oakland's internal control.

My consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and, therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying Schedule of Findings, I identified a deficiency in internal control that I consider to be a material weakness.

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To the Honorable Mayor and
Members of the City Council:

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or combination of deficiencies, in internal control such that there is a reasonable possibility a material misstatement of the City of Oakland's financial statements will not be prevented or detected and corrected on a timely basis. I consider the deficiency described in Part I of the accompanying Schedule of Findings as item I-A-16 to be a material weakness.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City of Oakland's financial statements are free of material misstatement, I performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of my audit and, accordingly, I do not express such an opinion. The results of my tests disclosed no instances of non-compliance that are required to be reported under *Government Auditing Standards*. However, I noted certain immaterial instances of non-compliance or other matters that are described in Part II of the accompanying Schedule of Findings.

Comments involving statutory and other legal matters about the City's operations for the year ended June 30, 2016 are based exclusively on knowledge obtained from procedures performed during my audit of the financial statements of the City. Since my audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.

City of Oakland's Responses to Findings

The City of Oakland's responses to the findings identified in my audit are described in the accompanying Schedule of Findings. The City of Oakland's responses were not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, I express no opinion on them.

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To the Honorable Mayor and
Members of the City Council

Purpose of this Report

The purpose of this report is solely to describe the scope of my testing of internal control and compliance and the result of that testing and not to provide an opinion on the effectiveness of the City's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Governmental Auditing Standards* in considering the City's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

I would like to acknowledge the many courtesies and assistance extended to me by personnel of the City of Oakland during the course of my audit. Should you have any questions concerning any of the above matters, I shall be pleased to discuss them with you at your convenience.

M. J. J. Associates, CPA, P.C.

CITY OF OAKLAND
SCHEDULE OF FINDINGS
YEAR ENDED JUNE 30, 2016

Part I: Findings Related to the Financial Statements:

INTERNAL CONTROL DEFICIENCIES:

I-A-16 Segregation of Duties - One important aspect of internal control is the segregation of duties among employees to prevent an individual employee from handling duties which are incompatible. For example, the cash receipts listing, bank deposits and the posting of the cash receipts to the cash receipts journal are all performed by the same person.

Recommendation - I realize that with one full time city clerk and a part time deputy clerk, a proper segregation of duties is challenging. However, City Council should monitor control procedures to obtain the maximum internal control possible under the circumstances.

Response - We will consider this.

Conclusion - Response acknowledged.

INSTANCES OF NON-COMPLIANCE:

No matters were noted.

CITY OF OAKLAND
SCHEDULE OF FINDINGS
YEAR ENDED JUNE 30, 2016

Part II: Other Findings Related to Required Statutory Reporting:

II-A-16 Certified Budget - Disbursements during the year ended June 30, 2016 exceeded the amounts budgeted in the public works and capital projects functions. In addition, disbursements exceeded the budget before the budget was amended. Chapter 384.20 of the Code of Iowa states in part that “public monies may not be expended or encumbered except under an annual or continuing appropriation”.

Recommendation - The budget should have been amended in accordance with Chapter 384.18 of the Code of Iowa before disbursements were allowed to exceed the budget.

Response - The budget will be monitored and amended in a more timely manner in the future, if applicable.

Conclusion - Response accepted.

II-B-16 Questionable Disbursements - I noted no disbursements for parties, banquets or other entertainment for employees that I believe may constitute an unlawful expenditure from public funds as defined in an Attorney General’s opinion dated April 25, 1979.

II-C-16 Travel Expense - No disbursements of City money for travel expenses of spouses of City officials or employees were noted.

II-D-16 Business Transactions - There were no business transactions between the City and City officials.

II-E-16 Bond Coverage - Surety bond coverage of City officials and employees is in accordance with statutory provisions. The amount of coverage should be reviewed annually to ensure that the coverage is adequate for current operations.

II-F-16 Council Minutes - No transactions were found that I believe should have been approved in the Council minutes but were not.

II-G-16 Deposits and Investments - No instances of non-compliance with the deposit and investment provisions of Chapters 12B and 12C of the Code of Iowa and the City’s investment policy were noted.

II-H-16 Revenue Bonds and Notes - No instance of non-compliance with the revenue bond and note resolutions were noted.

CITY OF OAKLAND
SCHEDULE OF FINDINGS
YEAR ENDED JUNE 30, 2016

Part II: Other Findings Related to Required Statutory Reporting: Continued

II-I-16 Financial Condition - Three Capital Projects Funds had deficit balances of \$341,707, \$62,099 and \$46,752, respectively, at June 30, 2016.

Recommendation - The City should investigate alternatives to eliminate these deficits in order to return these funds to a sound financial position.

Response - The first deficit was due to construction costs on the City Services Building which is essentially complete as of June 30, 2016. The deficit will be eliminated by transfers. The second deficit is the result of a housing project that is ongoing. The third deficit is the result of costs associated with an ongoing park project.

Conclusion - Response accepted.

II-J-16 Tax Increment Financing - Chapter 403.19 of the Code of Iowa provides a municipality may certify loans, advances, indebtedness and bonds (indebtedness) to the County Auditor which qualify for reimbursement from incremental property tax. The County Auditor provides for the division of property tax to repay the certified indebtedness and provides available incremental property tax in subsequent fiscal years without further certification by the City until the amount of certified indebtedness is paid. Urban Renewal Area TIF Indebtedness was certified to the County Auditor before December 1 and no exceptions were noted.

II-K-16 Urban Renewal Annual Report - The urban renewal annual report was properly approved and certified to the Iowa Department of Management on or before December 1. However, the City's receipts and ending cash balance of the Special Revenue, Urban Renewal Tax Increment Fund reported on the Levy Authority Summary do not agree with the City's general ledger for the year ended June 30, 2015.

Recommendation - The City should ensure that the cash balances and receipts reported on the Levy Authority Summary agree with the City's records.

Response - These items will be correctly reported in future.

Conclusion - Response accepted.

CITY OF OAKLAND

OAKLAND, IOWA 51560

NEWS RELEASE

Muxfeldt Associates, CPA, P.C., 2309 B Chatburn Avenue, Harlan, Iowa today released an audit report on the City of Oakland, Iowa.

The City's receipts totaled \$2,419,148 for the year ended June 30, 2016, a forty-five percent decrease from the prior year. The receipts included \$441,321 from property tax, \$348 from tax incremental financing, \$1,307,602 from charges for services, \$293,053 from operating grants, contributions and restricted interest, \$84,924 from capital grants, contributions and restricted interest, \$224,146 from local option sales tax, \$1,785 from unrestricted investment earnings, \$5,000 from note proceeds, \$60,052 in insurance proceeds and \$917 from sale of assets.

Disbursements for the year totaled \$2,571,354, a thirty-one percent decrease from the prior year, and included \$314,984 for public works, \$280,454 for culture and recreation and \$273,532 for public safety. Also, disbursements for business-type activities totaled \$1,112,066.

The significant decrease in receipts and disbursements is primarily due to when note proceeds were received and construction costs of the reverse osmosis treatment and water plant improvements were paid.

A copy of the audit report is available for review in the City Clerk's office, in the office of the Auditor of State and on the Auditor of State's web site at <http://auditor.iowa.gov/reports/index.html>.

